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August 5, 2004

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Ms. Jean A. Webb  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

RE: Section 5c(c) and Regulation §40.6(a) Submission, Exchange Certification for the  
Mandatory Use of CLS for Currency Futures Deliveries, Effective with June 2005  
Deliveries. CME Submission 04-76.

Dear Ms. Webb:

Chicago Mercantile Exchange Inc. ("CME" or "Exchange") hereby notifies the Commission under the exchange certification procedure, that the Board of Directors, on Wednesday, August 4, 2004, approved amendments to CME Rule 740, effective with the June 2005 deliveries, that make currency futures physical deliveries through Continuous Linked Settlement (CLS) mandatory for all clearing firms for any currency pair that is CLS eligible. The only instance where a clearing firm will be exempt from using CLS is if the clearing firm demonstrates to CME that its delivery obligations will not reasonably exceed \$50 million per currency futures product. Up until the June 2005 currency deliveries, the CME CLS currency delivery procedures will remain a delivery option and not be mandatory. CME believes the change making the CLS currency futures delivery procedures mandatory as of June 2005 will benefit market participants with lower delivery costs. Please note that CME continues to apply the CLS currency delivery procedures to additional currency futures contracts as these currencies become CLS eligible (e.g., South African rand and New Zealand dollar are expected to become CLS eligible in November 2004). Market participants are notified when currency contracts become eligible for CLS delivery through *Clearing House Advisory Notices*. Clearing firms were notified of this upcoming change to CME currency futures delivery procedures in the *Clearing House Advisory Notice #04-119*, dated Wednesday, June 30, 2004.

Appendix 1 details CME Rule 740 revisions with additions underlined and deletions bracketed and overstruck. Appendix 2 is a clean copy of the amended rules.

If you require any additional information regarding this action, please do not hesitate to contact Mr. Steven Youngren at 312-930-4583 or via e-mail at [syoungre@cme.com](mailto:syoungre@cme.com). Please reference our CME Submission 04-76 on all future correspondence regarding this notification.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Labuszewski", with a stylized, flowing script.

John W. Labuszewski  
Director, Research & Product Development

20 South Wacker Drive, Chicago IL 60606-7499, Tel. 312-930-1000

## **Appendix 1: Amended Rules**

(Additions are underlined while deletions are bracketed and overstruck.)

### **CLS CURRENCY DELIVERIES**

#### **740. DELIVERY THROUGH CLS BANK AND/OR THE CME CLS AGENT BANK**

Prior to the June 2005 currency deliveries, CME currency futures contract customers may elect for physical delivery and delivery position netting through the CLS (Continuous Linked Settlement) Bank and/or the CME CLS Agent Bank. For the June 2005 and subsequent currency deliveries, CME currency futures contract customers are required to make physical delivery and delivery position netting through the CLS Bank and/or the CME CLS Agent Bank for any currency futures contract, where both the trading unit currency and the price increment (minimum fluctuation) currency are supported by CLS delivery procedures. Notwithstanding the foregoing, a clearing firm shall not be required to make physical delivery and delivery position netting through the CLS Bank and/or the CME CLS Agent Bank for any currency futures contract, where the delivery exposure of the clearing firm is reasonably expected not to exceed \$50 million for any one currency futures contract. The Board of Directors shall determine the CME CLS Agent Bank for facilitating the delivery of currencies through CLS Bank. CME currency futures contract customers must use an approved CLS agent bank for ~~[elected]~~ deliveries through CLS Bank, which may be the CME CLS Agent Bank or any other approved CLS agent bank. If practicable ~~[and by election of the customer]~~, in those situations where CME currency futures contract customers use the CME CLS Agent Bank for delivery, then physical delivery and delivery position netting may occur within the CME CLS Agent Bank and not be submitted to the CLS Bank.

[Remainder of rules is unchanged.]

## **Appendix 2: Clean Copy of Amended Rules**

### **CLS CURRENCY DELIVERIES**

#### **740. DELIVERY THROUGH CLS BANK AND/OR THE CME CLS AGENT BANK**

Prior to the June 2005 currency deliveries, CME currency futures contract customers may elect for physical delivery and delivery position netting through the CLS (Continuous Linked Settlement) Bank and/or the CME CLS Agent Bank. For the June 2005 and subsequent currency deliveries, CME currency futures contract customers are required to make physical delivery and delivery position netting through the CLS Bank and/or the CME CLS Agent Bank for any currency futures contract, where both the trading unit currency and the price increment (minimum fluctuation) currency are supported by CLS delivery procedures. Notwithstanding the foregoing, a clearing firm shall not be required to make physical delivery and delivery position netting through the CLS Bank and/or the CME CLS Agent Bank for any currency futures contract, where the delivery exposure of the clearing firm is reasonably expected not to exceed \$50 million for any one currency futures contract. The Board of Directors shall determine the CME CLS Agent Bank for facilitating the delivery of currencies through CLS Bank. CME currency futures contract customers must use an approved CLS agent bank for deliveries through CLS Bank, which may be the CME CLS Agent Bank or any other approved CLS agent bank. If practicable, in those situations where CME currency futures contract customers use the CME CLS Agent Bank for delivery, then physical delivery and delivery position netting may occur within the CME CLS Agent Bank and not be submitted to the CLS Bank.

[Remainder of rules is unchanged.]